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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D. C.

DEPARTMENT OF TRANSPORTATION
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DOCKET SECTION

Application of

AMERICAN AIRLINES, INC.

under 49 USC 40109 for an exemption
(Chicago-Moscow)

OST-98-4328 - 5

REPLY OF AMERICAN AIRLINES, INC.

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September 10, 1998

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D. C.

Application of :
AMERICAN AIRLINES, INC. : OST-98-4328
under 49 USC 40109 for an exemption :
(Chicago-Moscow) :

REPLY OF AMERICAN AIRLINES, INC.

American Airlines, Inc., under 14 CFR 302.407, hereby
replies to the answers submitted on August 31, 1998 by Delta
Air Lines, Inc. and United Air Lines, Inc. to American's
application for Chicago-Moscow exemption authority.

American proposes to begin daily nonstop service
between Chicago and Moscow with its own aircraft and crews on
June 1, 1999, and requires an exemption and the allocation of 7
weekly frequencies. As American noted in its application, the
Department has previously allocated to other carriers the 54
weekly frequencies available under the U.S.-Russia bilateral
agreement. However, only 9 are currently used for services
actually operated by U.S. carriers (2 by Alaska Airlines and 7
by Delta), and only 17-1/2 are currently used by foreign-flag
carriers operating codeshare services with U.S. partners
(Swissair/Delta and KLM/Northwest). The remainder -- 27-1/2 --
are not used at all. In addition, while there is a limitation

of 6 U.S. carrier designations under the agreement, only 2 of these 6 designations are being used (by Alaska and Delta), since only those services operated by U.S. carriers with their own aircraft and crews require designations.

In these circumstances, the Department should promptly grant exemption authority to American to operate between Chicago and Moscow, and should award American 7 weekly frequencies. American is indifferent as to which carrier or carriers should surrender a designation and frequencies to support American's proposed service.

As for the pleas by Delta and United that their unused authority should not be disturbed, the fact that the Department may have granted them dormancy waivers with respect to proposals for codesharing service with foreign-flag carriers is of course irrelevant. Even if the subject Delta and United code-shares were in actual operation, American's proposal to serve the Chicago-Moscow market with its own aircraft and crews would still take precedence under well-established Department policy favoring U.S. carrier services over foreign-carrier services in limited-entry markets. See, e.g., U.S.-Mexico, Order 97-9-38, September 29, 1997, p. 3; Delta/Varig, Order 94-3-33, April 26, 1994; American/South African Airways, Order 92-10-19, October 9, 1992, p. 5 n. 9.

Moreover, as Delta has noted, the frequencies held by Baltia and Continental -- neither of which even submitted answers in this proceeding -- could readily be re-allocated to American. Baltia received authority U.S.-Russia service more than seven years ago (Order 91-6-2, June 1, 1991), but has yet to operate a single flight, and has not even received certification from the Federal Aviation Administration. Continental has apparently abandoned any plans to implement its own Newark-Moscow service -- for which it was awarded 7 weekly frequencies -- but instead is now seeking to place its code on Aeroflot's operations, an activity which does not require any frequencies at all from the U.S. allotment. See Order 96-8-48, August 25, 1996, p. 1 ("services operated under cooperative marketing arrangements, including code-sharing arrangements, between the airlines of the two Parties, shall not count against the frequency limitations," emphasis added).

American's Chicago-Moscow operations will provide substantial benefits to the traveling and shipping public in the large local market, as well as in scores of beyond markets that will have convenient on-line connections via American's Chicago hub. This will be the first U.S. carrier service in the Chicago-Moscow market, and will provide important inter-gateway competition with U.S. and foreign-flag service operated at other U.S. gateways.

Accordingly, the Department should promptly grant American an exemption, and award 7 weekly combination frequencies, for service between Chicago and Moscow, which American plans to commence on June 1, 1999.

Respectfully submitted,

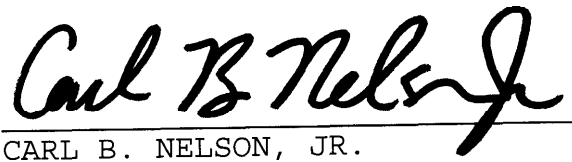
A handwritten signature in black ink, reading "Carl B. Nelson, Jr." in a cursive script. The signature is written over a horizontal line.

CARL B. NELSON, JR.
Associate General Counsel
American Airlines, Inc.

September 10, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document by first-class mail on all persons named on the attached service list.


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September 10, 1998

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